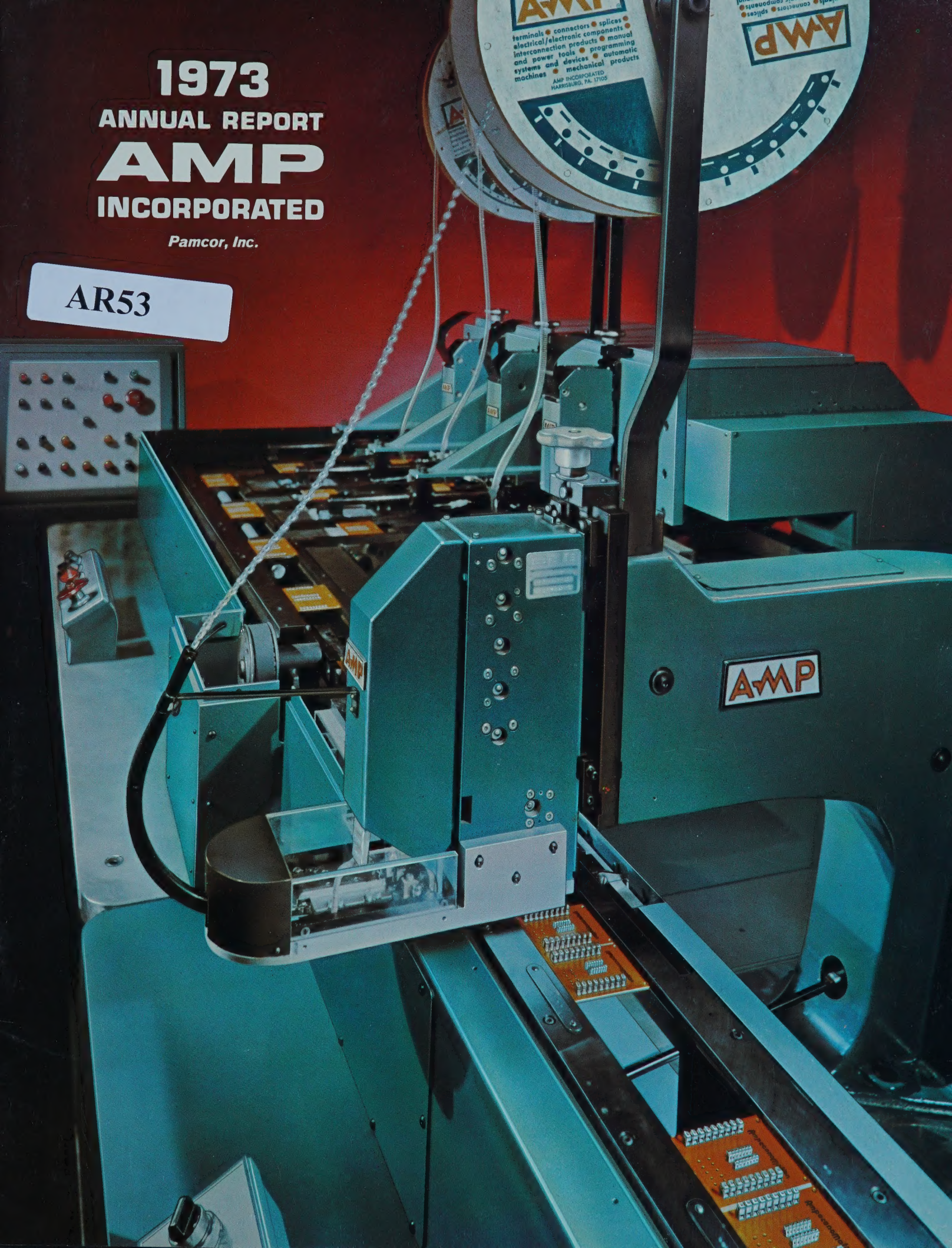
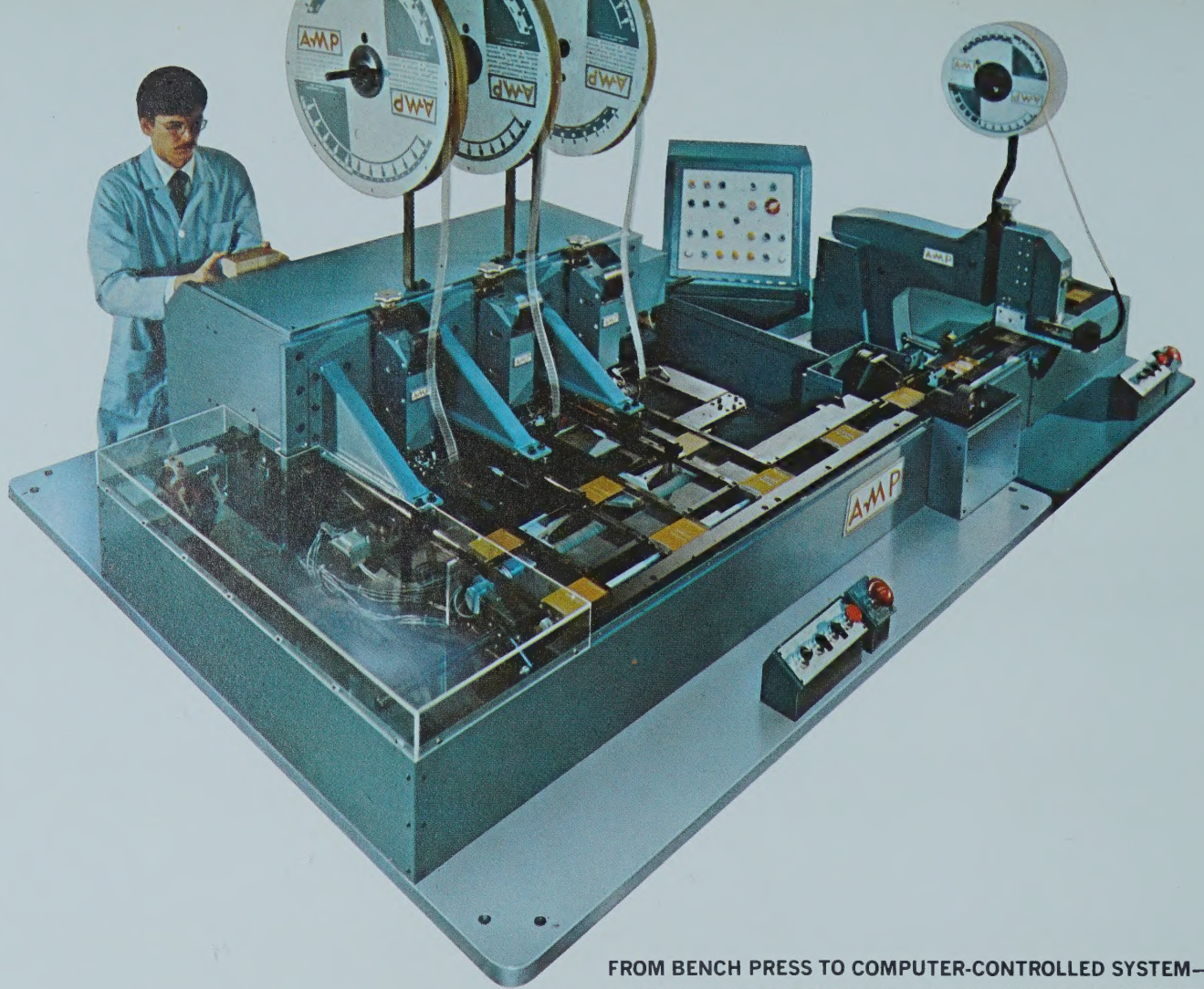


1973
ANNUAL REPORT
AMP
INCORPORATED

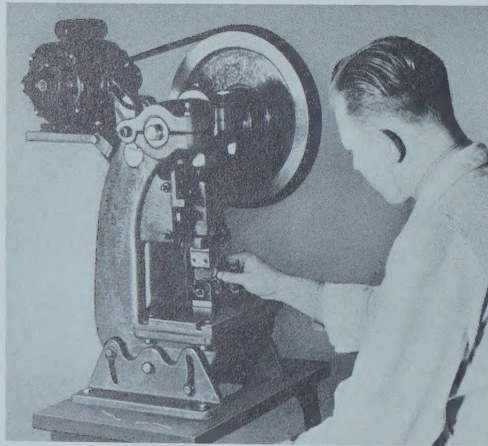
Pamcor, Inc.

AR53

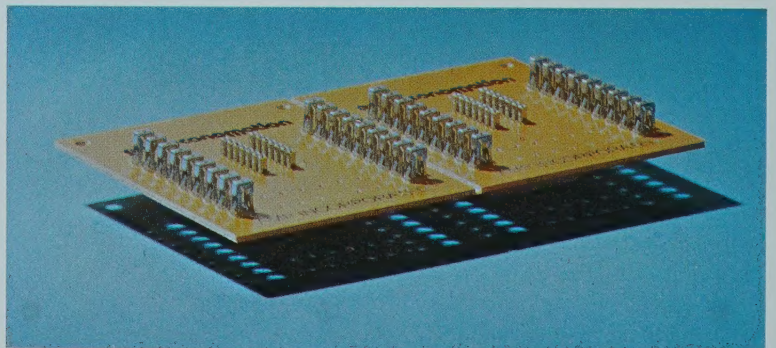




**FROM BENCH PRESS TO COMPUTER-CONTROLLED SYSTEM—
30 YEARS OF EVOLUTION IN AMP MACHINE DEVELOPMENT.**



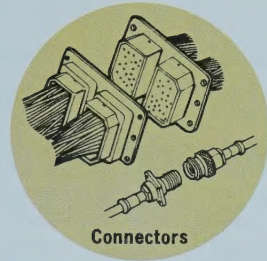
Appearing in a 1943 catalog, the early AMP machine at left offered customers a better way to crimp "single piece" terminals onto wires. Since then, we have pioneered in providing machines to apply "strip-form" terminals and contacts—semiautomatic and fully automatic, numerically controlled, and in recent years, computer-controlled equipment. In 1973 we created this "simple" materials handling system by linking two machines together. Computer-controlled, it automatically feeds and conveys printed circuit boards under three applying heads for insertion of one type of contact and then to the machine at right for another. More sophisticated systems are under way. With rapidly rising labor costs and higher production volumes, our customers benefit greatly from this steady evolution to more automated application equipment for their use.



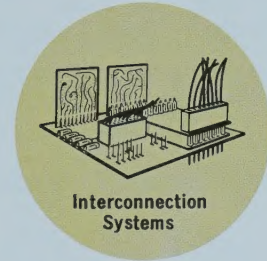
Corporate Profile



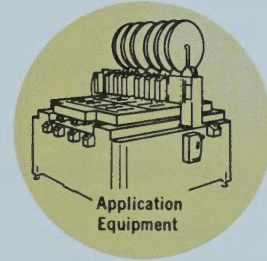
Terminals & Splices



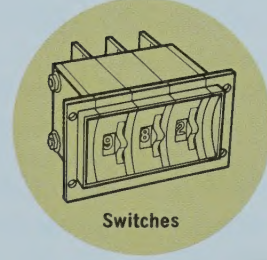
Connectors



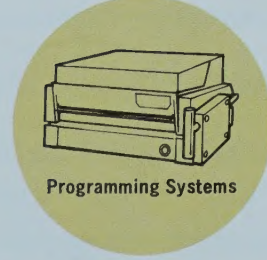
Interconnection Systems



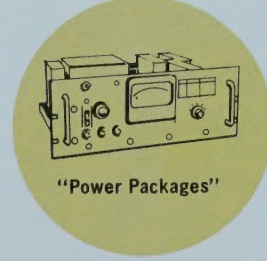
Application Equipment



Switches



Programming Systems



"Power Packages"

GENERAL—AMP Incorporated, founded in 1941, has its headquarters in Harrisburg, Pennsylvania. It has a Puerto Rican manufacturing affiliate, Pamcor, Inc., owned by identical shareholders. AMP now has 15 wholly owned operating subsidiaries: domestic subsidiaries in the United States and Canada; and international subsidiaries in Mexico, Argentina, Brazil, Australia, Japan, and eight European countries—France, Great Britain, Holland, Italy, West Germany, Spain, Sweden, and Switzerland. 1

HIGHLIGHTS AND FINANCIAL DATA. 2

LETTER TO SHAREHOLDERS—Sales up 38% to a record \$418 million; net income up 37% to a new high of \$45.5 million or \$1.23 per share 3

FINANCIAL—At December 31, 1973, assets of \$344.1 million, total debt of \$55.4 million and shareholders' equity of \$200.6 million 4

OPERATIONS—The major portion of AMP's research, engineering and domestic manufacturing facilities are within a fifty-mile radius of its General Offices at Harrisburg, Pennsylvania. Other operating facilities are located in Florida, North Carolina, Virginia, and at the various subsidiary locations. Total worldwide employees 14,830 5

MARKETING—Throughout the world, AMP products are marketed directly to thousands of customers for use in the manufacture, maintenance and modernization of the products and equipment of most industries. Over 75,000 customers in widely diversified electrical/electronics markets are served worldwide. 6

MARKETS—General Electronics. 8
 Computer and Office Equipment 10
 Consumer Goods 12
 Transportation and Electrical Equipment 14
 Maintenance, Modernization, Utilities, Construction. 16

PRODUCTS—AMP is one of the leading producers of electrical connection, switching, and programming devices—including solderless terminals, splices, multiple connectors, coaxial connectors, packaging and interconnection devices, switches and programming systems—and the application tools and machines to attach these devices to wires, cables, or printed circuitry. It also produces electronic power units and other electrical/electronic components. There are over 40,000 types and sizes of AMP products. 18

FINANCIAL STATEMENTS—All statements and statistics, unless otherwise noted, include AMP Incorporated, its affiliate Pamcor, Inc., and their subsidiaries. 23

CORPORATE DATA 28

Highlights and Financial Data

(Dollars in thousands)

	1973	1972	1971	1970	1969	1968	1967	1966	1965	1964
For The Year—										
NET SALES	\$417,960	\$302,086	\$239,648	\$225,827	\$211,256	\$167,172	\$146,469	\$141,817	\$110,942	\$91,676
COST OF SALES	240,800	169,415	139,215	127,062	116,516	95,612	85,813	81,072	62,000	50,322
GROSS INCOME	177,160	132,671	100,433	98,765	94,740	71,560	60,656	60,745	48,942	41,354
SELLING & GENERAL, ETC. ⁽¹⁾	86,320	67,761	54,324	53,932	47,363	40,251	37,254	33,281	26,426	22,586
INCOME BEFORE INCOME TAXES	90,840	64,910	46,109	44,833	47,377	31,309	23,402	27,464	22,516	18,768
INCOME TAXES	45,390	31,719	21,084	20,344	23,097	15,082	9,749	12,439	10,068	9,045
NET INCOME	\$ 45,450	\$ 33,191	\$ 25,025	\$ 24,489	\$ 24,280	\$ 16,227	\$ 13,653	\$ 15,025	\$ 12,448	\$ 9,723
Per Share ⁽¹⁾⁽²⁾	\$ 1.23	90¢	68¢	67¢	66¢	44¢	37¢	41¢	34¢	27¢
CASH DIVIDENDS										
	\$9,148	\$ 8,179	\$ 7,859	\$ 7,110	\$ 5,875	\$ 4,887	\$ 4,391	\$ 3,652	\$ 3,037	\$ 2,729
Per Share ⁽²⁾	24¾¢	22½¢	21⅓¢	19⅓¢	16¢	13⅓¢	12¢	10¢	8⅓¢	7½¢
CAPITAL EXPENDITURES	53,277	23,536	15,034	23,271	17,562	8,465	15,977	17,136	11,817	6,195
DEPRECIATION	13,128	11,655	11,451	10,361	9,452	8,497	6,966	5,609	4,178	3,615
At December 31—										
WORKING CAPITAL	\$102,009	\$102,567	\$ 86,474	\$ 71,807	\$ 65,823	\$ 56,390	\$ 46,022	\$ 35,257	\$ 28,645	\$26,513
PROPERTY, PLANT AND EQUIPMENT, NET	117,559	78,802	68,439	65,614	53,379	46,086	47,068	38,713	27,543	20,125
LONG-TERM DEBT	11,395	12,192	12,603	12,346	11,537	13,535	15,534	6,200	400	500
TOTAL DEBT	55,414	21,377	22,176	23,627	20,314	19,830	20,498	14,672	3,380	2,046
SHAREHOLDERS' EQUITY	200,591	163,296	138,285	121,409	104,031	85,597	73,741	64,283	53,026	43,671
BACKLOG										
	\$ 99,000	\$ 58,000	\$ 42,900	\$ 43,300	\$ 41,100	\$ 34,500	\$ 29,000	\$ 30,400	\$ 22,900	\$18,900
SHARES OF STOCK OUTSTANDING ⁽²⁾ (Thousands)	36,977	36,937	36,868	36,805	36,755	36,677	36,619	36,517	36,448	36,402
NUMBER OF EMPLOYEES	14,830	11,585	10,306	10,426	10,171	8,785	8,260	8,735	7,100	6,050

⁽¹⁾ Net foreign currency exchange and translation gains of 3½¢ per share are included in earnings for each of the years 1973 and 1971, of which 2½¢ per share of translation gains in 1971 was previously reported as a separate item before net income and is now included in SELLING & GENERAL, ETC.

⁽²⁾ Per share data based on weighted average shares outstanding. Shares outstanding are adjusted to retroactively give effect to stock splits of 3-for-1 in 1973 and 2-for-1 in 1967.

Mr. J. D. Brenner, President and Chief Executive Officer (left), and Mr. U. A. Whitaker, Chairman, inspecting a new type of application equipment—the AMPOMATOR-SELM automatic wire lead making machine.



To the Shareholders

1973 was a very good year, with many records set.

- Sales increased 38% to \$418,000,000.
- Earnings rose 37% to \$1.23 per share.
- Backlog gained 71% to \$99,000,000.
- Employment grew 3,245 to 14,830 people.
- Floor space expanded over 15% to 4,200,000 sq. ft.
- Capital expenditures rose to a record \$53,000,000.

The strong, broadly based rise in sales came from the combined effects of the general economic growth here and abroad, good progress in our specific markets, and the continued introduction of new AMP products. In the past two years, sales have shown an unusual 74% total increase. Expansion to meet this surge in demand has been a real challenge.

Included in 1973 earnings of \$1.23 were net exchange and translation gains of $3\frac{1}{2}\epsilon$ per share. Also, after the U.S. dollar devaluation, from March 1, 1973 to year-end 1973, the operating results of our overseas subsidiaries benefited by being translated at higher rates of exchange. In contrast, we are now experiencing an opposite effect because of the strengthening of the U.S. dollar. As a company with worldwide operations, we will probably continue to see adjustments in both directions in the coming years. The real significance is our continuing growth in operating results, and the fact that we are well positioned to participate in the growth of major markets around the world.

1973 was a period of great expansion of personnel and facilities. The 3,245 increase in employees was particularly evident in our production, marketing, and technical areas. The facilities expansion of over 600,000 sq. ft. was primarily for added production capability. Along with enlargement of many existing buildings, over a dozen additional buildings were constructed or acquired in Central Pennsylvania, North Carolina, Florida, Virginia, and overseas.

We were saddened by the passing of Mr. C. L. Keister in December, 1973, a banker and community leader who so ably served on our board from 1956 through 1971, and since then as a director emeritus. We will miss his valuable counsel. The very recent death of Dr. F. H. Wells, ended

another long and valued association with AMP—first as director of research until 1962 and then, after retirement, as a technical consultant.

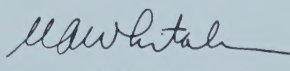
In January, 1974, because of the continued rise in materials and labor costs, we filed for a domestic price increase. As a result, an 8% average general increase in domestic prices was effective in mid-February—our first in over three years. Overseas, our subsidiaries will continue to make price increases when feasible.

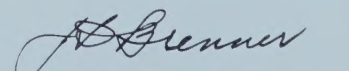
As this report shows, we are firmly committed to a steady evolution toward higher-volume, more-automated application equipment to provide customers with better methods to offset their persistently rising labor costs. We are equally committed to growth through new products—concentrating on development of connection devices, but also broadening into closely related areas such as flexible circuitry, switches and relays.

The outlook remains good, but with definite uncertainties in the short term. Our operations continue in relatively good position on energy requirements. But it is difficult to assess what effect an energy shortage or general economic slowdown may have on our customers, and consequently on our order level. However, we think any effects will be temporary and are preparing for further growth in 1974. Long term, we are as optimistic as ever.

Many people have played an important part in making 1973 a successful year. We thank our employees, customers, and suppliers for their continued understanding and loyalty during a demanding period of expansion.

Sincerely,


U. A. Whitaker
Chairman of the Board


J. D. Brenner
President and
Chief Executive Officer

February 25, 1974
Harrisburg, Pa.

Financial

- Dividends increased 12% in 1973. A 33% increase is indicated for 1974.
- Shareholders' Equity increased 23% to \$200,600,000.
- Total debt rose to \$55,400,000—now equivalent to 28% of Shareholders' Equity.

AMP'S FINANCIAL POSITION remained strong during 1973 while meeting the demands of a 38% increase in sales. In response to the need for added productive capacity, we invested a record amount in capital expenditures. After a record dividend payout, reinvested earnings increased shareholders' equity to \$200,600,000 at year end.

Aided by the higher sales volume, profit margins for the entire year 1973 were quite similar to the 1972 levels, despite the increased pressure caused by holding domestic prices unchanged while material and labor costs rose throughout the year. However, particularly because of the acceleration in material cost increases in the latter half of the year, we found it necessary to raise domestic prices by an average of 8% effective in mid-February, 1974—our first domestic increase in three years.

Total debt, both short- and long-term, increased to \$55,400,000, but is still equivalent to only 28% of shareholders' equity. Depending on our rate of expansion in 1974, further increases in debt could be required. Working capital remained essentially unchanged at the \$102,000,000 level because of similar large increases in

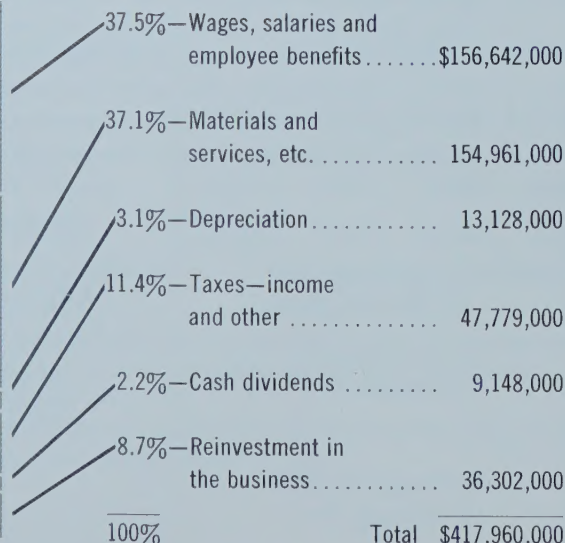
both current assets and current liabilities. Consequently, the current ratio decreased to 1.8 to 1 at year-end 1973.

The operating results of our international subsidiaries benefited by being translated from March 1, 1973, to year-end 1973 at higher exchange rates arising out of the U.S. dollar devaluation in February, 1973. In addition, net exchange and translation gains of 3½¢ per share were included in 1973's earnings of \$1.23 per share. A total of \$600,000 of unrealized net translation gains (resulting from revaluing certain assets and liabilities at various dates during 1973 and at year-end 1973) remains deferred and, therefore, was not included in 1973 earnings. The 1974 operating results will reflect use of prevailing currency exchange rates.

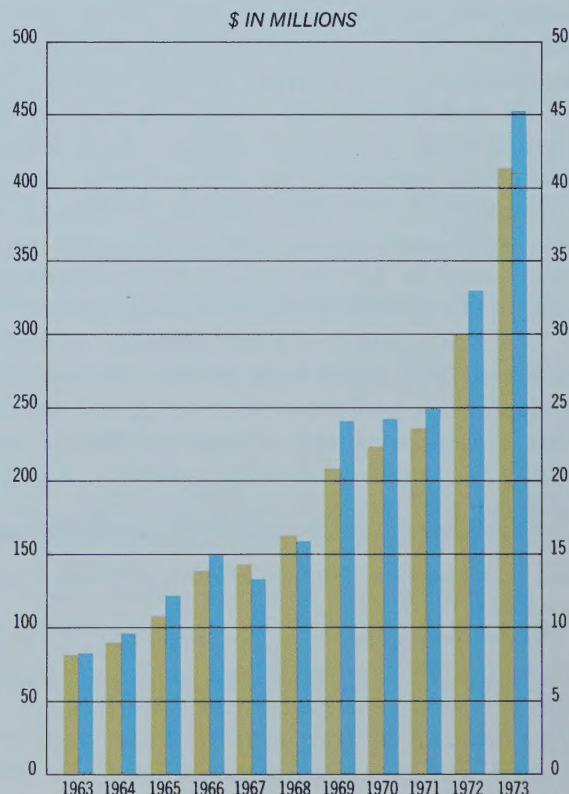
CAPITAL EXPENDITURES of \$53,000,000 were more than double the \$23,500,000 spent during 1972. Capital expenditures in 1974 are expected to continue at a high level.

DIVIDENDS—The quarterly cash dividend of 8¼¢ per AMP Endorsed Share paid March 1, 1974, to shareholders of record on February 4, 1974, indicates an annual rate of 33¢ per share compared to 24¾¢ per share in 1973, as restated to reflect the 3-for-1 stock split May 7, 1973. This increase of 33% is the maximum allowable under Phase IV guidelines. It is the 21st consecutive annual increase. For the last 15 years, except for 1972 when limited by Phase II controls, the dividend has increased more than 10% each year.

How the 1973 Sales Dollar was used



Sales Net Income



Operations

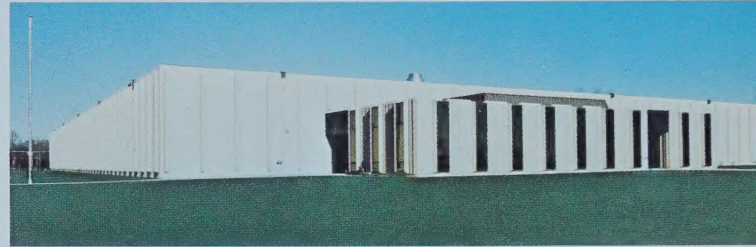
- 3,245 employees added worldwide during the year for record 14,830 at year-end 1973. Over half of total in manufacturing.
- Record \$53,000,000 capital expenditures—over half for machinery and equipment within AMP facilities and about one-third for land and buildings. Previous high \$23,500,000 in 1972.
- More than 600,000 sq. ft. of floor space added in 1973 for record 4,200,000 sq. ft. at year-end 1973. Over half of total for manufacturing.
- Now over 125 facilities throughout the world—over half for manufacturing.

Following a 26% growth in sales in 1972, the 38% increase in 1973 created heavy demands on AMP people and facilities—demands met by an unprecedented expansion of our productive capacity. Capital expenditures more than doubled from \$23,500,000 in 1972 to \$53,000,000 in 1973, and employment rose 28% to 14,830. As a result, sales rose from \$85,000,000 in the last quarter of 1972 to \$118,000,000 in the last quarter of 1973. This sharp rise in shipments was accompanied by an even greater increase in the backlog of unfilled orders during the year—from \$58,000,000 at year-end 1972 to a record year-end 1973 total of \$99,000,000 (after a \$3,000,000 reduction due to adoption of new currency exchange rates). With expansion continuing at a high level and new order growth moderating, a closer balance between demand and capacity should be reached during 1974.

The increase in floor space of over 600,000 sq. ft. in 1973 consisted of many buildings and building additions in the U.S. and overseas. In 1974, floor space could increase similarly if business remains good. The creation of new production equipment, such as the automated assembly machines shown below, is a vital part of our expansion activity—both for added capacity and cost reduction.



23,000 sq. ft. second plant of AMP Great Britain at Bideford, England.



New 100,000 sq. ft. plant at Winston-Salem, N.C.

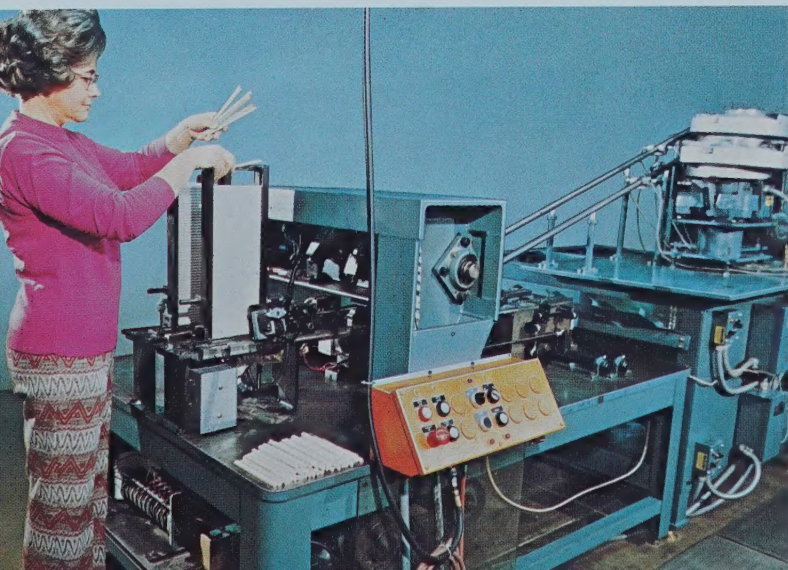


New 33,000 sq. ft. plant at Weyers Cave, Va.



New 50,000 sq. ft. warehouse at AMP Holland.

Automated production equipment in an AMP plant—special AMP-created machines for high-speed assembly of contacts into connector housings.



Marketing

- Over 1,000 field sales and field service personnel.
- 2,000 people involved in total marketing efforts.
- Over 75,000 customers worldwide.
- Nearly 50 sales offices throughout the world.
- More than 25 distributors in over 20 countries.

We augmented our marketing capabilities substantially during 1973. This was not only because of sharply rising sales, but also because of the growing diversity and higher technical levels of AMP products and application machines—and of customers' products. We added over 300 marketing people as we strive for more intensive customer coverage and further specialization of personnel by product and market categories.

Some of the many types of AMP marketing literature now in use.



Our marketing literature is also becoming more varied. Advertising reprints, direct mail materials, technical paper reprints, newsletters, product bulletins, instruction sheets, brochures, catalogs, buyers' guides, and other types of materials are used by the tens of millions. Visual aids, largely prepared by AMP specialists, are also gaining wider use—hundreds of slide programs, movies and videotapes.

For more direct contact with customers, we use a wide range of marketing techniques. In addition to the usual trade show appearances, we hold many seminars for specific customers or industries. Several dozen traveling exhibits—AMP ECONOMATION vans, product coaches, and other display vehicles—brought AMP literally to the customer's doorstep many thousands of times in the past year. Similarly, customer visits to our facilities, particularly to discuss new product development, continue to increase throughout the world—with several thousand in 1973 alone.

Our organizational approach remains essentially the same. In the U.S., we have four direct sales groups: The Industrial Division for original equipment manufacturers; the Telecom Division for telecommunications equipment manufacturers and users; the Capatron sales force for special "power package" products; and the AMP Special Industries Division to reach maintenance and modernization users, utilities, and other non-manufacturing fields such as airlines, railroads, shipyards, mining, and building and construction. Overseas our subsidiaries each use two basic sales organizations: an industrial sales force for the original equipment manufacturers; and an "AMPLIVERSAL" sales division for the maintenance, utility, and other non-manufacturing fields.

Our sales are divided fairly evenly among the five categories shown on pages 8-17. Composed of many specific markets, this gives us great diversity while still being oriented to the dynamic growth sectors of the major economies here and abroad.



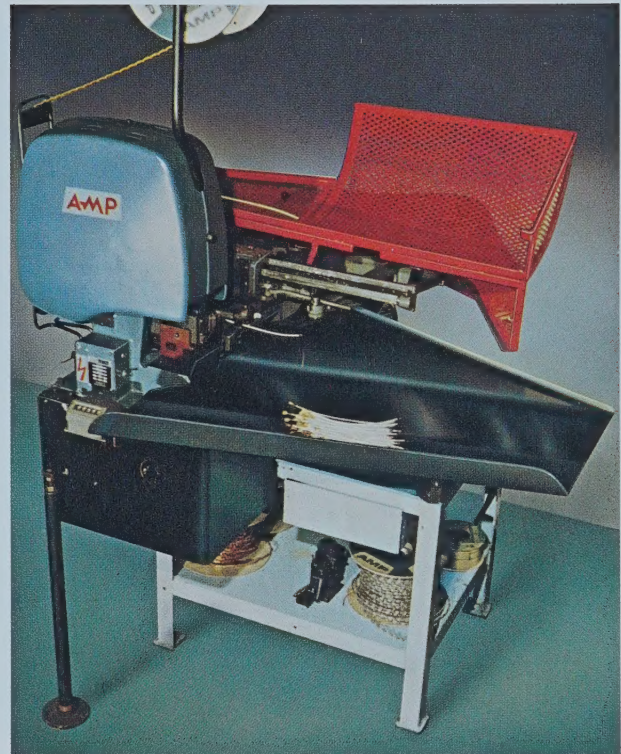
New 64,000 sq. ft. distribution warehouse on Route 22, east of Harrisburg.

AMP Economation Program

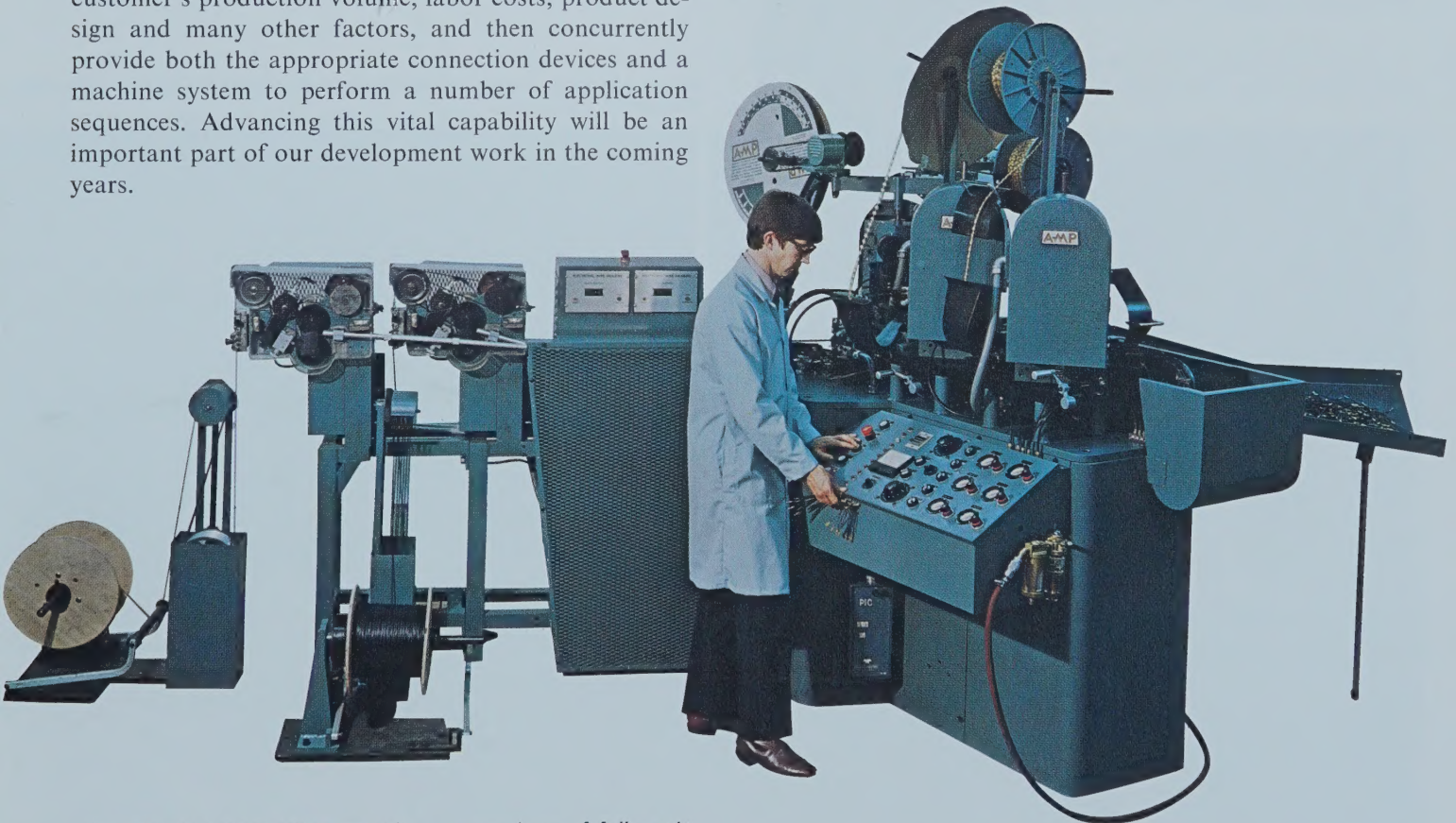
- Over 33,000 application machines in use with customers at year-end 1973—an increase of some 5,000 in 1973.
- Dozens of different types of application equipment now available.
- Nearly 200 field service engineers now available to install and maintain application machines and train customer personnel.

The AMP ECONOMATION program means providing each customer with the best method of applying our product. This can range from relatively simple manual tools and presses (pages 17, 18, 19, 22), to power tools (page 16), to semiautomatic bench machines (pages 8, 12), and to fully automated, complex equipment (this page, the cover and pages 9, 13). Customer application tooling requirements are constantly changing and broadening—largely due to their new equipment designs and to new types of circuitry, conductors, and connection devices. But also each year, rising labor costs and production volumes exert mounting pressure on customers to automate. In response we work closely with them to develop increasingly advanced application equipment.

In 1973 we created a variety of new tools and machines. Most notable perhaps, was in linking two machines together to perform successive operations. After 30 years, our technical capabilities now enable us to look at a customer's production volume, labor costs, product design and many other factors, and then concurrently provide both the appropriate connection devices and a machine system to perform a number of application sequences. Advancing this vital capability will be an important part of our development work in the coming years.



Wire transfer mechanism developed by AMP Great Britain to automatically feed wires into a bench machine for higher application rates.



The AMPOMATOR-SELM machine—a new type of fully automatic lead making machine offering greater versatility in applying terminals to wires.



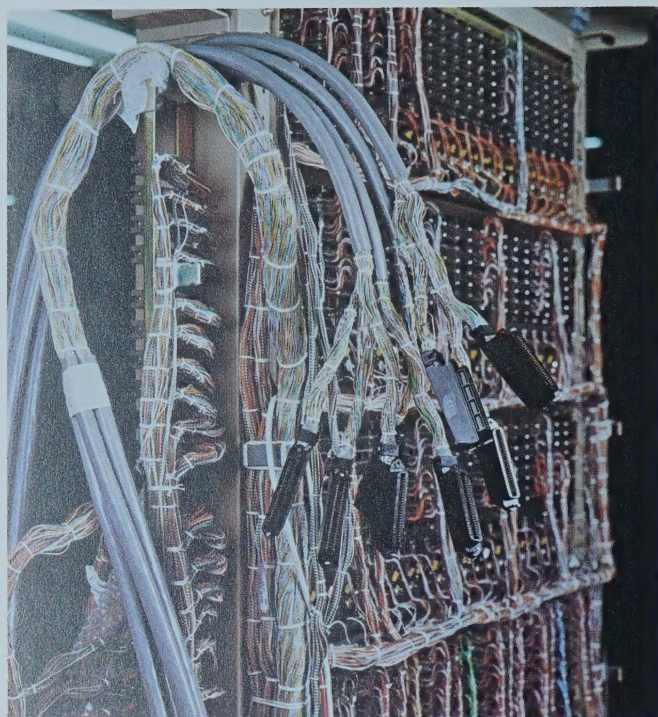
GENERAL ELECTRONICS

Avionics • Military Electronics • Communications Equipment • Production Control Systems • Machine and Process Controls • Instrumentation • Test Equipment • Medical Equipment • Scientific Equipment • Educational and Recreational Equipment • Security Systems • Point-of-Sale Systems • Quotation Systems.

Telecommunications is fast emerging as the most important market for us in this broad area. Ten years ago we introduced our PICABOND splices for making the billions of connections needed in telephone transmission cables. Today they are in growing use throughout the world. Five years ago we began working with telecommunications equipment manufacturers—analyzing their needs, understanding trends, and applying AMP's capabilities.

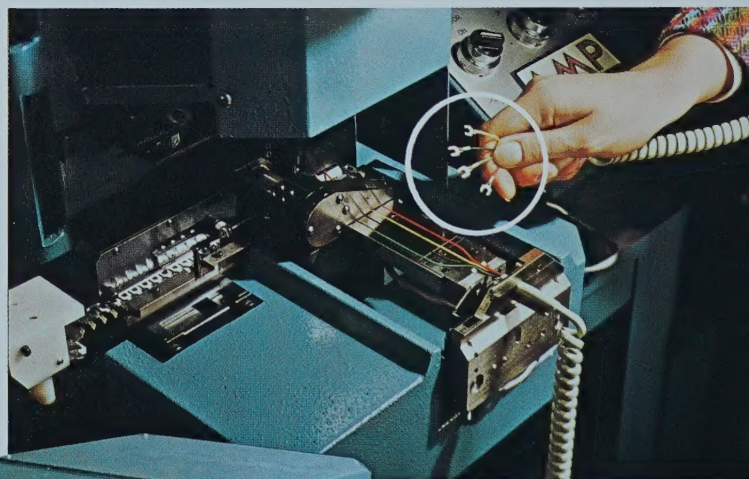
Under the impetus of the industry's growing production volumes, rising labor costs, conversion to electronic switching, and increasing receptiveness to new ideas, AMP products are finding their way into a variety of telecommunications equipment.

The CHAMP connectors shown at left in Nippon Electric Company PABX equipment are indicative of the growing use of these connectors worldwide. Their labor-saving insulation displacement approach permits installation



CHAMP connectors in Nippon Electric Company PABX telecommunications equipment.

New application machine simultaneously crimps four terminals onto telephone coil cords.



on cables with a special AMP tool or machine in much less time than traditional soldering methods. The need to place switching equipment into service as fast as possible and to make circuit modifications quicker, is prompting great interest in using CHAMP connectors instead of conventional relatively slow, point-to-point wiring.

As the pictures below show, a number of AMP items now appear in Stromberg-Carlson telephones. We expect more in this and other manufacturers' sets in the future—principally because of the automated application machines we are developing, such as those shown below, which offer great labor savings in applying contacts to printed circuit boards or terminals to wires.

The Singer point-of-sale data terminal at right may look familiar to many since it is appearing in thousands of stores of major retailers such as J.C. Penney and F.W. Woolworth. The product assortment shows the various types of our products used. Virtually all connection devices in the unit are AMP. Particularly interesting is the use of our flexible cable assemblies. We see point-of-sale electronic equipment for retailers, supermarkets, service stations, and similar users as a good growth potential for AMP products.

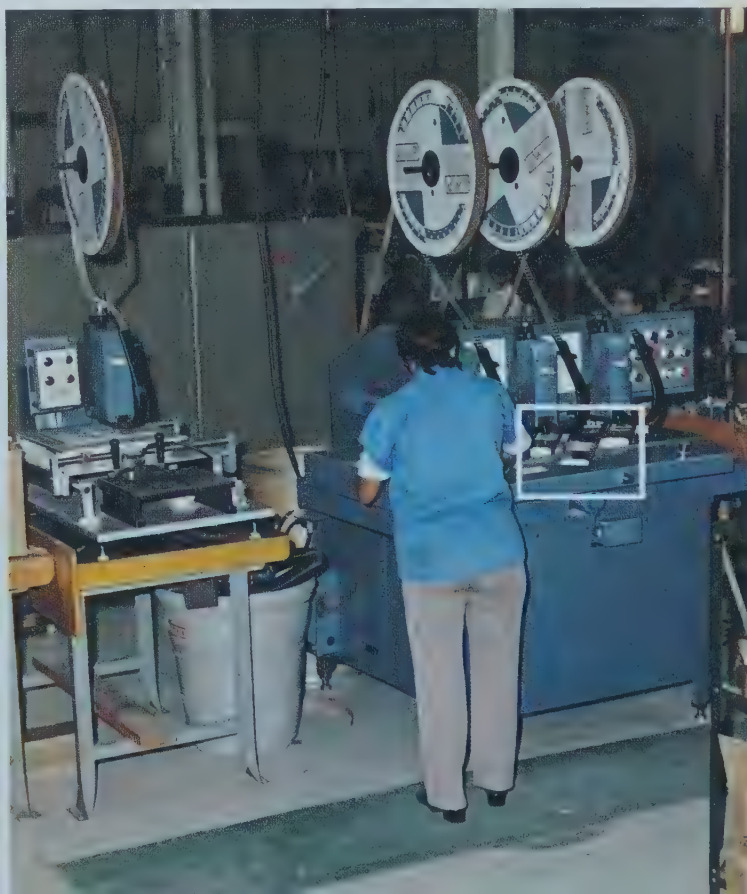


Various types of AMP products used in Singer point-of-sale data terminals.

AMP products in a Stromberg-Carlson telephone—dozens of terminals, receptacle contacts, pins, and strain relief clips.



AMP contact insertion machines at Stromberg-Carlson—computer-controlled multi-reel type at right; single-reel, pantograph type at left.





COMPUTER AND OFFICE EQUIPMENT

Digital Computers • Analog Computers • Hybrid Computers • Data Entry Equipment • Printers • Data Converters • Visual Displays • Input/Output Terminals • Time-Sharing Equipment • Office Equipment • Business Machines.

More than any other market we serve, the computer industry is characterized by generation cycles spanning a number of years. To be a part of next-generation computers, a supplier must work years in advance in presenting new product ideas—while still meeting present-generation requirements. Recognizing this dual challenge, we are placing increased emphasis on increasing both our short-term and long-term participation in this growth field. As to the present-generation needs of the next few years, one aspect is to adapt to computer industry situations some of the AMP approaches already used in other markets. One example is in offering computer customers new versions of advanced contact insertion machines similar to the ones shown on page 13, that can provide the high-volume application rates now needed in this industry. Similarly, certain product items used in other markets can also apply here as well—for example, the CHAMP connectors shown on pages 8 and 18.

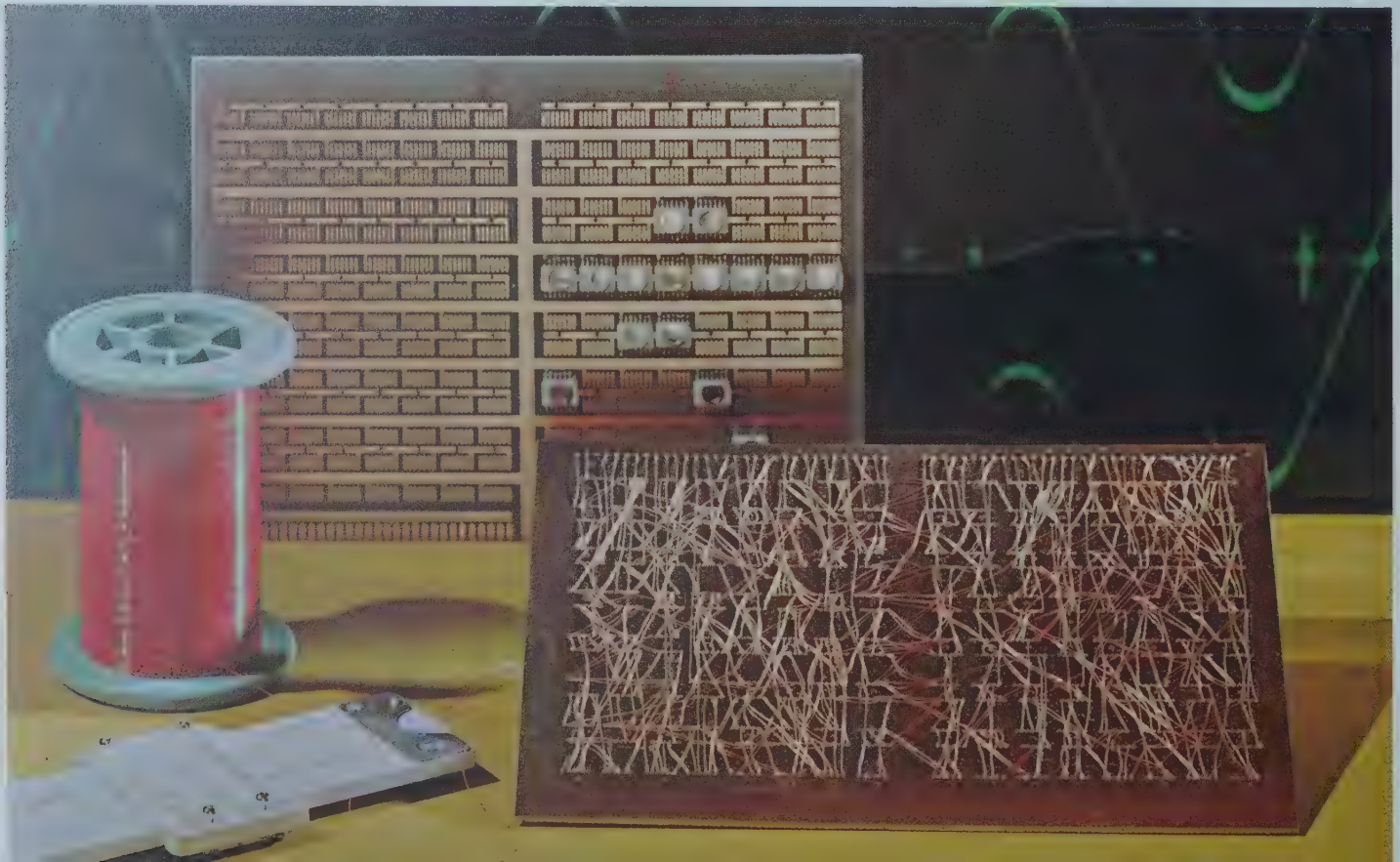
Paralleling this systematic effort to transfer technology is our increased effort to develop new products specifically for this field. We are working in a number of product areas such as new types of multiple connectors, pack-

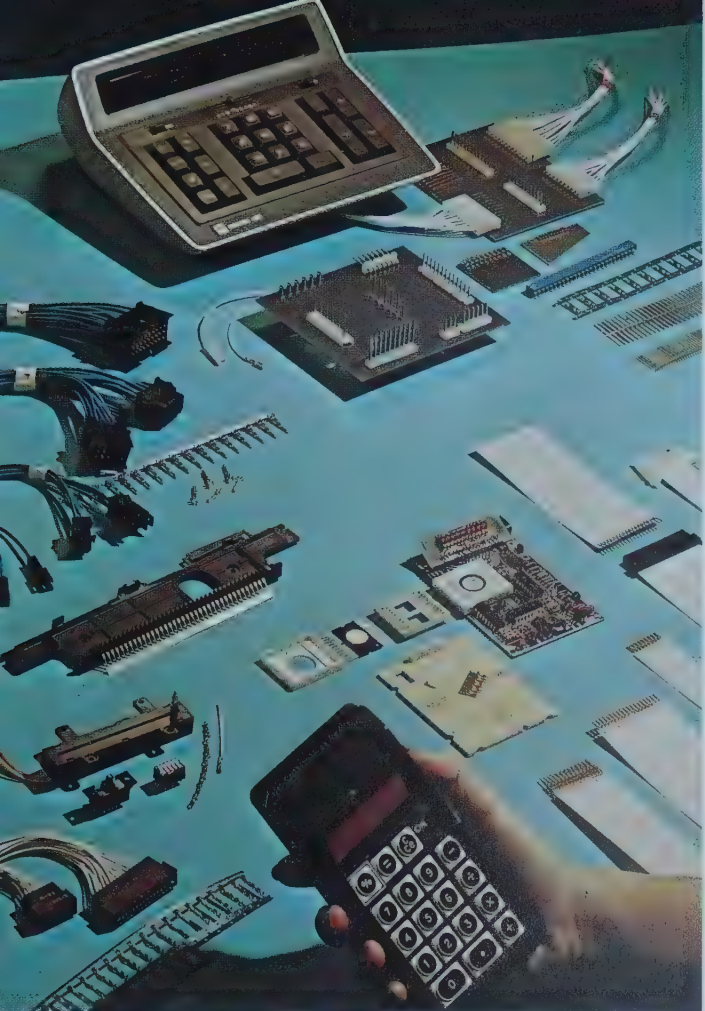
aging devices, interconnection systems, flexible circuitry, switches, and panels.

The pictures below show the range of our work in panels. The panel assembly of AMP TERMI-POINT connectors in Olivetti equipment is typical of past- and present-generation needs. The assortment of panels for domestic customers shows a mixture of present and “coming-into-use” panels in this generation of equipment. We are substantially increasing our capabilities for supplying these panels—particularly multi-layer. The Picowire panel wiring below is aimed at computer connection requirements of the late 1970’s. It offers the extreme miniaturization, shielding, impedance-matching, and thermal management needed in future circuitry where frequencies will be much higher, current levels lower, and physical densities far greater.

The picture at right shows some of the AMP products used in American calculators. We are similarly represented in Japanese, German and other calculators. Some of the products, such as receptacles for MOS/LSI circuitry units and for visual display panels, were developed specially for this fast-growing market.

Picowire panel wiring offers miniaturized, shielded, impedance-matched connections for next-generation computer circuitry.



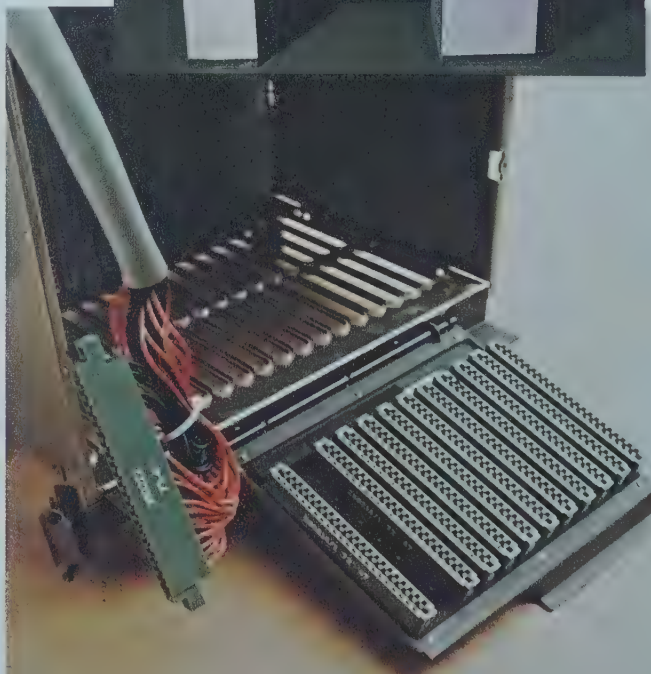


Some of the AMP products used in American calculators.

An assortment of single, double and multi-layer wiring panels for various U.S. customers.



AMP TERMI-POINT connectors used in Olivetti electronic accounting machines and calculators.





CONSUMER GOODS

TV • Radio • Stereo • Tape Recorders • Organs • Washers • Dryers • Ranges • Dishwashers • Refrigerators • Freezers • Air Conditioners • Humidity Controls • Portable Heaters • Small Appliances • Power Tools • Garden Equipment • Vending and Amusement Equipment.

The consumer goods market is where we have advanced the farthest in providing automated application equipment. Fully automatic AMPOMATOR wire lead making machines by the hundreds have come into use in the appliance and TV industries since the early 1960's. Numerically controlled and computer-controlled AMP contact insertion machines—several dozen so far—have been installed in the TV industry in the last few years.

The picture below at left makes a point sometimes overlooked in the focus on interesting new AMP products and complex machines. When this revolutionary new electric cooking range was developed, our customer was able to utilize well-established existing AMP products—some over 20 years old—with attendant advantages in availability, economy, and reliability. Each passing year demonstrates there is still relatively little obsolescence of our older products.

The array of AMP-O-LECTRIC semiautomatic bench machines shown below is a typical scene in the appliance industry. Moulinex, a rapidly growing French manufacturer of small appliances, uses dozens of these machines and a number of AMPOMATOR machines to apply a wide variety of AMP products.

The control console at right is an AMP first. We provided this to Zenith to more efficiently program each of the over two dozen AMP computer-controlled contact insertion machines in their plant. Each day these machines apply millions of AMP contacts to Zenith Dura-Module boards.

The machine at right below is also computer-controlled. Specially developed for Warwick, it has six applicator heads simultaneously applying contacts to printed circuit boards used in their TV sets.

Various types of AMP products used in a new type of electric range.

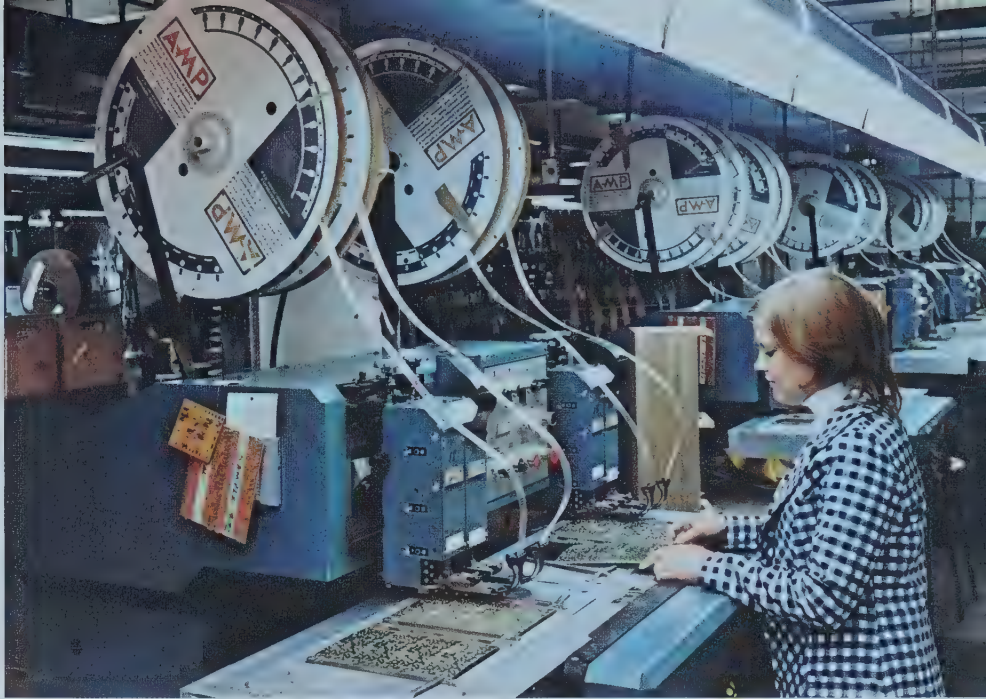


Some of the many AMP application machines at Moulinex.





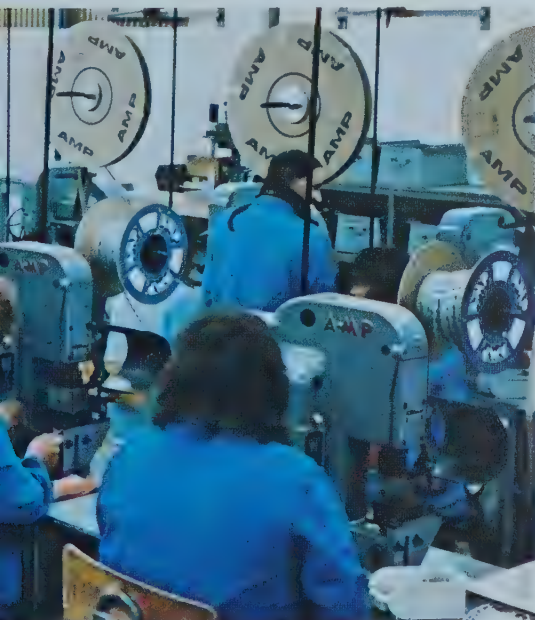
AMP control console at Zenith Radio Corporation programs the over two dozen computer-controlled contact insertion machines.

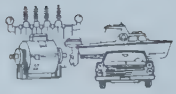


AMP computer-controlled contact insertion machine at a Warwick TV production plant.



Leading French manufacturer of small appliances.





TRANSPORTATION AND ELECTRICAL EQUIPMENT

Automobiles • Trucks • Recreational Vehicles • Busses • Rail and Rapid Transit Equipment • Aircraft • Farm Equipment • Materials Handling Equipment • Motors and Generators • Compressors • Refrigeration, Heating and Air Conditioning Equipment • Lighting Equipment • Transformers • Switchgear • Coils and Relays.

There are many new things happening in the transportation field such as use of more electronics, tighter safety requirements, more convenience and comfort features, environmental concerns, fuel shortage effects, the shift to smaller cars, growing interest in public transportation, and the need for greater reliability and easier maintenance. Added to steadily rising labor costs, this is generating many new electrical and electronic connection requirements and creating good opportunities for new AMP products. The pictures below show our efforts in three new product areas—high-current flexible circuitry for control panels, flexible etched circuitry assemblies, and special connectors for anti-skid systems.

AMP high-current flexible circuitry developed to replace conventional wiring in the circuit breaker section of general aviation panels.



At left below is AMP's high-current flexible circuitry replacing conventional wiring in the circuit breaker section of a typical aircraft control panel. While definite initial advantages can be realized during factory installation, the biggest gain is permitting replacement of a circuit breaker in a few minutes, instead of many very costly manhours.

At center below are special connectors we developed for truck anti-skid systems. In the foreground, AMP connectors and test fixture for the Kelsey-Hayes system; in the background, sealed connectors for the B.F. Goodrich system. Required on new U.S. trucks beginning later this year, a typical anti-skid system will use a dozen or more AMP connectors.

Special AMP connectors for truck anti-skid systems.



At right below is the flexible etched circuitry assembly designed for Gould controls for Dana Corp. truck transmissions. It consists of three different configurations of flexible circuitry and a special pin and socket connector to link the assembly to a wire harness.

Although the special products shown below are for certain domestic customers, extensive development efforts are also being conducted by our international subsidiaries. As a major supplier to transportation equipment manufacturers throughout the world, we are working in close liaison with many customers to help them meet similar new connection requirements.

Special AMP flexible etched circuit assembly for truck transmission controls.





MAINTENANCE, MODERNIZATION, UTILITIES, CONSTRUCTION

Airlines • Bus Lines • Trucking Companies • Railroads • Shipyards
• Industrial Plant Maintenance • Repair Shops • Building Contractors • Mobile Homes • Federal, State & Local Government Installations • Electric Power Companies • Gas Companies • Resale Organizations.

This very broad market category has some of the oldest and some of the very newest markets we are serving. Since the company's inception over 30 years ago, our terminals and splices, applied by AMP hand and power tools, have been used in the maintenance and modernization of electrical and electronic equipment. In the 1960's we began our efforts with utilities—AMPACT connectors for power distribution cables, PICABOND splices for telephone cable, and AMP-FIT fittings for gas distribution pipe. We also began our resale program of selling our terminals and tools through major retailers under private labels. Quite recently, we turned our attention to the building and construction field. We are providing unique labor-saving duplex wall receptacles and switches for mobile and modular homes now, and for conventional construction in the near future.

With such diversity, the number of customers in all these markets now totals many tens of thousands. Our marketing coverage is done primarily through special sales forces created to serve these non-manufacturing type customers. In the U.S. this is conducted by our domestic

subsidiary, AMP Special Industries, located at Valley Forge, Pa. In other countries it is done by the AMPLIVERSAL Division of each subsidiary.

The shipbuilding and mining industries are among the markets we are now giving increased attention to—both because of the stepped-up activity expected in the coming years, due in part to the energy problem, and the need for new connection products.

In the picture below, an AMP Special Industries sales representative is using an AMP hydraulic crimping tool to demonstrate the installation of a new disconnectable connector in the San Diego shipyard of National Steel Company. The connector permits various sections of aluminum welding cable used in shipyards and offshore drilling rigs to be quickly connected together to the desired length. *The picture at right* shows an AMP mine cable splicing kit. Cable lengths are permanently joined by our SOLISTRAND splice applied by an AMP crimping tool. Plastic tubing is then tightly installed to protect the connection.

At right below are our new crimpable fittings for the plastic plumbing pipes now being used in mobile and modular homes and recreational vehicles. The workman is using a special AMP tool on an AMP-FIT fitting to quickly and reliably join two pipes together. An outgrowth of our development work on the AMP-FIT fittings used on plastic pipe by gas utilities, we see plumbing as another good growth area.

AMP welding cable connectors and crimping tool at National Steel's San Diego shipyard.





AMP mine cable repair kit and crimping tool.



AMP-FIT crimpable fittings for plumbing. At right, connecting plastic plumbing pipe with an AMP-FIT tool and fitting at Parkwood Homes, Inc.



Product Review

- Over \$40 million—10% of the sales dollars—spent in 1973 on the creation and application of new and improved products and processes. Over \$10 million more than in 1972.
- Over 2,000 employees—scientists, engineers, technicians, draftsmen and other support personnel, and over one-half million sq. ft. of floor space now involved in AMP's total technical effort.
- Over 1,800 U.S. patents issued or pending at year-end 1973—with over 8,000 corresponding patents in other countries.

A large part of our spending on research, development and engineering continues to be for creation of electrical and electronic connection devices. Far from exhausting the new product possibilities, we see concentration on this special area as a never-ending source of opportunities. In fact, the problem remains, as always, the wise selection of which of many projects we should work on. This is not surprising when we look at the changes occurring in the markets we serve. Customers constantly design new equipment; new types of circuitry and conductors come into use; new performance, safety, and environmental requirements arise; production volumes increase; and the need for labor-saving methods

New use of CHAMP connectors

Seeking large savings in material and labor costs on office telephone installations, field trials are using flexible flat cable under carpet instead of conventional round 25-pair cable through floors and walls.



mounts. These factors, among others, prompted the new products shown in this report—and many other new developments that we did not have room to picture.

The growing diversity and complexity of connection devices is evident. Problem areas we are working on include the shielding, impedance-matching, and filtering of circuits; zero engagement forces; more selective use of gold; resistance to vibration, shock and other adverse operating conditions; packaging devices for new micro-circuitry units; connection of aluminum conductors; connectors for various types of flexible circuitry; connectors for shielded and coaxial cables; modular inter-connection systems, and more automated application.

A rising proportion of our products are being designed for machine application. Over two-thirds are now provided in "strip" or tape-mounted form on reels for application by the widening range of AMP application equipment available to customers. Increasingly, products and application machines are parallel developments seeking complete solutions to customer connection problems by focusing on total installed costs. The phonoplugs and TERMI-FOIL splices shown on page 20 are examples of products previously available only in single-piece form. Now, through new product and machine designs, they are available in strip form—offering customers significant labor savings.

New connector concepts

Foreground—the Locking Clip connector. The harder the wires are pulled, the tighter it holds.

Right rear—Universal MATE-N-LOK connectors for use at various voltages throughout the world.

Left rear—a new version of MR type connector with center post to assure positive contact alignment in critical applications.



Some of the products we continue to work on that are not shown in this report are connectors and splices for electric utilities, receptacles and switches for the building industry, special high-voltage "power package" units, cardreaders and data terminals, and insulating and protective materials.

On pages 20-22 are examples of our increased efforts to broaden our scope into related product areas. In flexible circuitry we show three different activities—high-current versions for appliance, auto, and aircraft use; matched-impedance transmission cable; and micrometalization circuitry as lead frames for attachment of micro-circuitry chips.

While AMP-TY cable ties have been available to customers for hand application, the unique applying tool on page 22, with its cut/no-cut options, should prompt much wider use. The new switches shown are examples of our steadily growing involvement in this large, closely related market. The relays on page 22 signal our first entry into an entirely new market for us. They are electromechanical—not solid state—and offer more relay functions for their price and size than any now on the market. We see this as another logically related market where we can extend our product development, manufacturing, and marketing capabilities.

New connector concepts

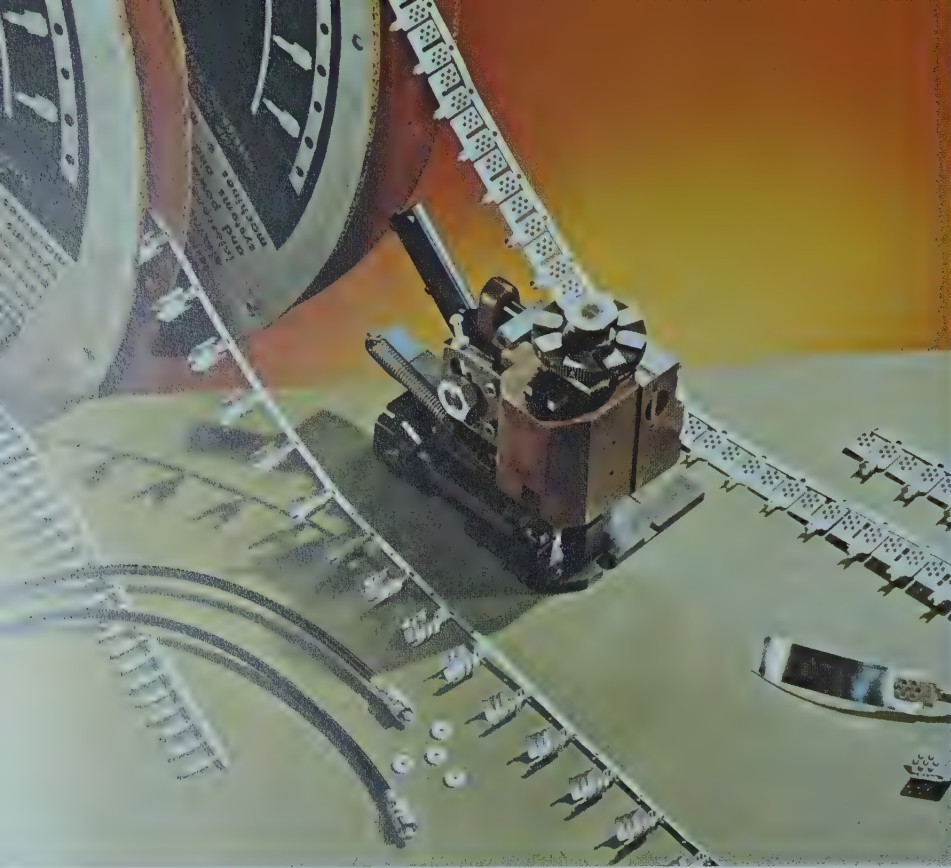
Left—one version of zero entry force connectors for printed circuit boards.

Right—a versatile new connector that offers zero entry force, modular sections, and use of any type of round wire or flat cable.



The new AMP Latch connector family and a special bench press offer a quick, reliable method of connecting molded flat cable.





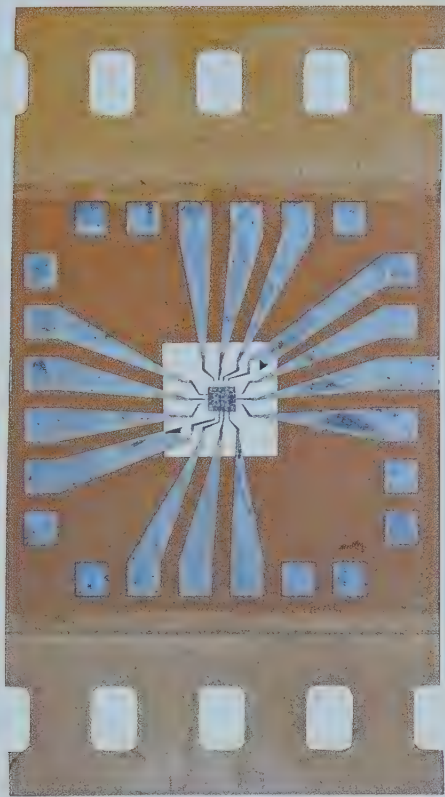
New products in strip form

Phonoplugs for shielded wires and TERMI-FOIL splices for aluminum foil are now in strip form for application by AMP machines—offering customers significant labor savings over traditional soldering or manual attachment methods.

Flexible circuitry for appliances

Special AMP high-current flexible circuitry offers replacement of conventional wiring on appliance timers for quicker installation, greater reliability, and easier servicing.





Above: Micrometalization

Micrometalization "beam lead" type lead frames permit direct attachment of a microcircuitry chip without gold wire connections—offering further automation in the production of electronic circuitry devices.



Right: Electronic packaging devices

Some of the new AMP receptacles that provide plugability for the latest types of leaded and leadless microcircuitry units.

Left: Flexible cable

Actual size sample of AMP "continuous pattern" flexible etched cable which can be cut to any length with the same matched-impedance performance. Traditionally, matched-impedance transmission cable must be separately produced for each desired length.



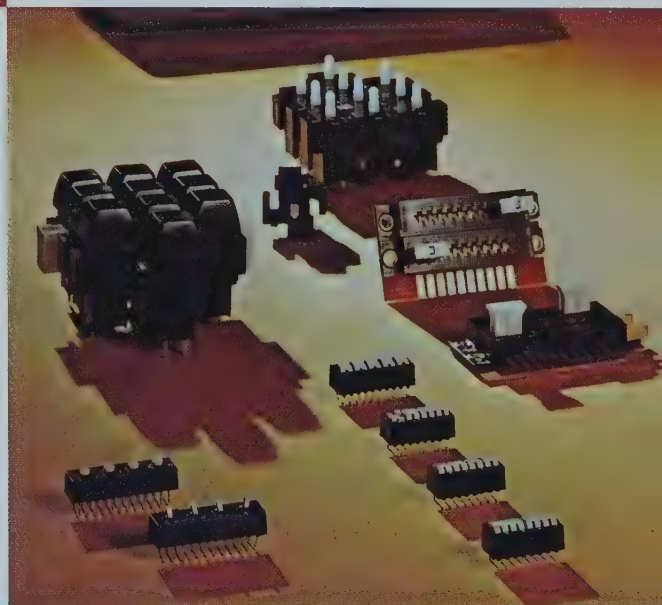


AMP-TY tool and ties

The AMP-TY bundling tool is the first to offer customers the option of cutting the strap after tightening, or leaving uncut for later re-tightening. The new stainless steel ties at left are for particularly adverse environmental conditions.

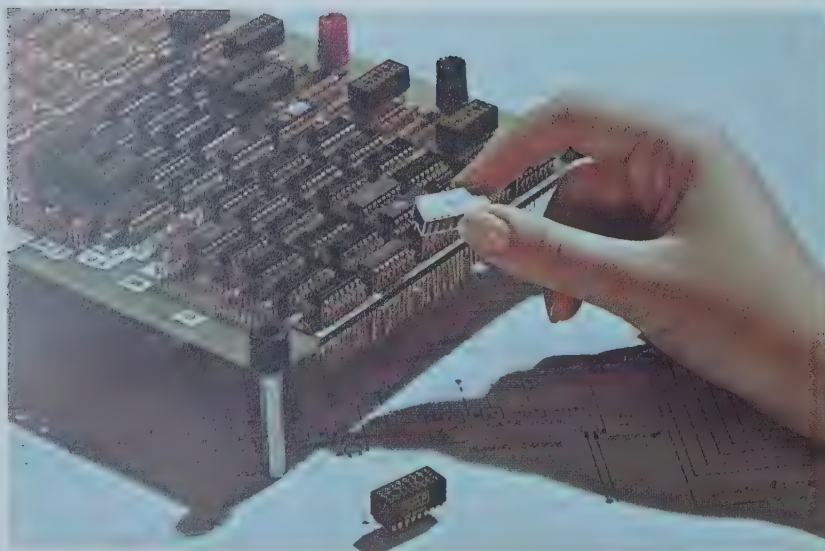
AMP switches

Some of the newest AMP switches for electronic equipment—keyboard and printed circuit board-mounted types.



AMP relays—a new market area

These highly reliable, electromechanical relays, the first for AMP, offer customers more relay functions for their size and price than generally available on the market today.



AMP INCORPORATED and Pamcor, Inc. & Their Subsidiaries
Combined Statements of Income and Retained Earnings

For the Years Ended December 31

	1973	1972
NET SALES	\$417,960,000	\$302,086,000
COST OF SALES	<u>240,800,000</u>	<u>169,415,000</u>
Gross income	177,160,000	132,671,000
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	<u>86,156,000</u>	<u>66,436,000</u>
Income from operations (after deducting depreciation of \$13,128,000 and \$11,655,000)	91,004,000	66,235,000
EXCHANGE AND TRANSLATION GAINS	1,453,000	197,000
OTHER DEDUCTIONS, net	<u>(1,617,000)</u>	<u>(1,522,000)</u>
Income before income taxes	90,840,000	64,910,000
INCOME TAXES	<u>45,390,000</u>	<u>31,719,000</u>
NET INCOME	\$ 45,450,000	\$ 33,191,000
 <i>Per Endorsed Share (weighted average)</i>	 \$1.23	 90¢
 RETAINED EARNINGS, BEGINNING OF YEAR	 151,231,000	 126,219,000
	<u>196,681,000</u>	<u>159,410,000</u>
LESS—		
Cash dividends on common stock (24 ³ / ₄ ¢ and 22 ¹ / ₆ ¢ per Endorsed Share)	9,148,000	8,179,000
RETAINED EARNINGS, END OF YEAR	<u>\$187,533,000</u>	<u>\$151,231,000</u>

The accompanying notes to the combined financial statements are an integral part of these statements.

Auditors' Report

To the Shareholders and Boards of Directors
of AMP Incorporated and Pamcor, Inc.:

We have examined the combined balance sheets of AMP INCORPORATED (a New Jersey corporation) and PAMCOR, INC. (an affiliated Puerto Rican corporation) and their subsidiaries as of December 31, 1973 and 1972 and the related combined statements of income and retained earnings, and changes in financial position for the years then ended. Our examinations were made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. We did not examine the combined financial statements of the foreign subsidiaries, which financial statements reflect 35% in 1973 and 35% in 1972 of the combined total assets and 57% in 1973 and 48% in 1972 of the combined net income. These financial statements were examined by other auditors whose report thereon has been furnished to us and our opinion expressed herein, insofar as it relates to the amounts included for the foreign subsidiaries, is based solely upon their report.

In our opinion, based upon our examinations and the report of other auditors, the above-mentioned combined financial statements present fairly the combined financial position of AMP Incorporated and Pamcor, Inc. and their subsidiaries as of December 31, 1973 and 1972, and the results of their combined operations and their combined changes in financial position for the years then ended, in conformity with generally accepted accounting principles which, except for the changes, with which we concur, in accounting for translation gains and losses as described in Note 3 and in accounting for the Stock Plus Cash Bonus Plan as described in Note 8, were consistently applied during the years.

Arthur Andersen & Co.

Philadelphia, Pa.,
February 15, 1974

ASSETS	December 31	
	1973	1972
CURRENT ASSETS:		
Cash	\$ 6,717,000	\$ 6,330,000
Time deposits	3,393,000	7,880,000
Marketable securities, at cost, which approximates market ..	21,320,000	16,995,000
Receivables	87,113,000	62,774,000
Inventories—		
Finished goods and work in process	43,899,000	28,979,000
Purchased and manufactured parts	28,890,000	20,282,000
Raw material	28,729,000	14,811,000
Total inventories	101,518,000	64,072,000
Prepaid expenses	6,468,000	7,082,000
Total current assets	226,529,000	165,133,000
PROPERTY, PLANT AND EQUIPMENT:		
Land	6,354,000	5,362,000
Buildings and leasehold improvements	58,675,000	43,130,000
Machinery and equipment	91,198,000	66,116,000
Machines and tools with customers	38,918,000	30,801,000
	195,145,000	145,409,000
Less—Accumulated depreciation	77,586,000	66,607,000
Property, plant and equipment, net	117,559,000	78,802,000
PATENTS, at nominal value	1,000	1,000
	<u>\$344,089,000</u>	<u>\$243,936,000</u>

Notes to Combined

(1) SUMMARY OF ACCOUNTING PRINCIPLES:

Principles of Combination—The financial statements of AMP and Pamcor and their subsidiaries (all wholly owned) are combined, as each company is owned beneficially by identical shareholders. Intercompany and affiliated company accounts and transactions are eliminated in the combination.

Translation of International Operations—The accounts of international operations are translated to U.S. dollars as follows: assets (except fixed assets), liabilities, and income and expense items (except depreciation), at current exchange rates; other

accounts, at historical exchange rates. Current exchange rates used at December 31, 1973, reflect market rates prevailing in early January, 1974.

Losses (cost vs. market) on forward exchange contracts are recognized currently. Gains are recognized when realized at maturity or sale.

Gains resulting from changes in rates used to translate assets and liabilities, reduced by losses in translation, are deferred until deemed realized. Deferred gains are deemed realized when retained earnings of international subsidiaries which include translation gains are remitted as dividends. Exchange gains and

Balance Sheets

LIABILITIES AND SHAREHOLDERS' EQUITY

December 31

	1973	1972
CURRENT LIABILITIES:		
Bank loans and current portion of long-term debt	\$ 22,202,000	\$ 2,289,000
International bank obligations	21,817,000	6,896,000
Accounts payable	27,826,000	17,431,000
Accrued expenses	19,588,000	13,081,000
Accrued taxes on income	33,087,000	22,869,000
Total current liabilities	124,520,000	62,566,000
LONG-TERM DEBT	11,395,000	12,192,000
DEFERRED INCOME TAXES	3,747,000	3,326,000
INVESTMENT TAX CREDIT	2,235,000	1,510,000
DEFERRED INCOME	1,601,000	1,046,000
Total liabilities	143,498,000	80,640,000
SHAREHOLDERS' EQUITY:		
AMP Incorporated—		
Common stock, without par value—		
Authorized 50,000,000 shares,		
issued 37,440,000 shares	12,480,000	12,480,000
Pamcor, Inc.—		
Common stock, par value \$1.00 per share—		
Authorized 20,000 shares, issued 20,000 shares	20,000	20,000
Other capital	1,274,000	—
Retained earnings	187,533,000	151,231,000
	201,307,000	163,731,000
Less—Treasury stock, at cost	716,000	435,000
Total shareholders' equity	200,591,000	163,296,000
	<u>\$344,089,000</u>	<u>\$243,936,000</u>

Financial Statements

losses are recognized currently. See Note (3) for change in accounting practice—1973.

Inventories—Inventories are stated at the lower of cost, principally average, or market.

Property, Plant and Equipment and Depreciation—Property, plant and equipment is stated at cost. Depreciation is computed by applying principally the straight-line method to individual items. Where accelerated depreciation methods are used for tax purposes, deferred income taxes are recorded. Investment tax credits are apportioned over the productive life of the equipment for which they were granted.

Maintenance and repairs are charged to expense as incurred. Major repairs and improvements are capitalized and depreciated at applicable straight-line rates. Dies, small tools and accessories are charged to expense as acquired.

The cost and accumulated depreciation of items of plant and equipment retired or otherwise disposed of are removed from the related accounts, and any residual values are generally charged or credited to income.

Research, Development & Engineering and Patents—Research, development and engineering and the cost of patent filings and protection are charged to expense in the period incurred.

AMP INCORPORATED and Pamcor, Inc. & Their Subsidiaries
Combined Statements of Changes in Financial Position

	<i>For the Years Ended December 31</i>	
	1973	1972
WORKING CAPITAL WAS PROVIDED FROM:		
Net income	\$ 45,450,000	\$ 33,191,000
Expenses not requiring current outlay of working capital—		
Depreciation	13,128,000	11,655,000
Distributions of treasury stock	1,611,000	1,052,000
Other	2,392,000	1,825,000
	<u>62,581,000</u>	<u>47,723,000</u>
Additions to long-term debt	2,505,000	2,022,000
Additions to other capital	1,274,000	—
Miscellaneous sources, net.	701,000	1,549,000
	<u>67,061,000</u>	<u>51,294,000</u>
AND WAS USED TO:		
Acquire plant and equipment	53,277,000	23,536,000
Reduce long-term debt	3,302,000	2,433,000
Purchase treasury stock	1,892,000	1,053,000
Pay cash dividends	9,148,000	8,179,000
	<u>67,619,000</u>	<u>35,201,000</u>
Increase (decrease) in working capital	<u>\$ (558,000)</u>	<u>\$ 16,093,000</u>
Working Capital Changes—Increases (Decreases):		
Cash, time deposits and marketable securities	\$ 225,000	\$ (2,596,000)
Receivables	24,339,000	17,837,000
Inventories	37,446,000	9,749,000
Prepaid expenses	(614,000)	2,760,000
Bank loans and current portion of long-term debt	(19,913,000)	670,000
International bank obligations	(14,921,000)	(282,000)
Accounts payable and accrued expenses	(16,902,000)	(5,241,000)
Accrued taxes on income	(10,218,000)	(6,804,000)
Increase (decrease) in working capital	<u>\$ (558,000)</u>	<u>\$16,093,000</u>

Notes Continued

(2) **PAMCOR:** Pamcor and its subsidiaries have no affiliates other than AMP and its subsidiaries. By trust agreement, Bankers Trust Company holds all of the Pamcor common stock for the benefit of AMP common shareholders whose certificates are endorsed to show they are entitled to a proportionate interest in Pamcor common stock held in the Trust. This interest is not transferable separately.

Net income includes net income of Pamcor of \$3,128,000 in 1973 and \$1,467,000 in 1972.

(3) **INTERNATIONAL OPERATIONS:** As a result of including the accounts of international operations, the combined financial statements as of December 31, 1973 include assets amounting to \$120,666,000 (\$97,606,000 current) and liabilities amounting to \$77,645,000 (\$68,466,000 current), or net assets of \$43,021,000. The

Notes Continued

additional income, as a result of including these international operations, amounted to \$26,019,000 in 1973 and \$15,992,000 in 1972.

In 1973 net exchange and translation gains amounted to \$2,053,000 of which \$600,000 has been deferred and is included in the balance sheet caption—Deferred Income.

Prior to 1973, gains and losses resulting from changes in rates used to translate assets and liabilities were recognized in income immediately. In 1973, because of unsettled conditions in world monetary markets, management concluded that a more appropriate measure of operating performance would result from deferring translation gains, reduced by translation losses, until deemed realized. The Company adopted this practice in 1973 while continuing to recognize realized exchange gains and losses currently. The change decreased income before taxes and net income by \$600,000 (less than 2¢ per share). In 1972 there were no material gains or losses in translation, and accordingly, income before taxes and net income for that year would not have been materially different than previously reported had the new practice been adopted in 1972.

Availability of remittances to the parent company is subject to currency restrictions of the various countries.

(4) COMPENSATING BALANCES: Cash deposits to support short-term borrowings were maintained throughout the year. Such cash balances, which were not legally restricted as to withdrawal, related almost exclusively to domestic short-term borrowing arrangements, which for the most part, required balances expressed as an average over a period of time at 20% of usage and 10% of unused commitments. The highest requirement for the year occurred at December 31, 1973, at which point average balances required would have approximated \$3,800,000 and \$900,000 related to outstanding borrowings and unused commitments respectively. Of the \$4,700,000 required, approximately \$3,500,000 represents dual-purpose funds, in that these balances also constitute minimum operating balances and/or compensation for other bank services.

(5) CURRENT DEBT: The average interest rate on total short-term bank debt outstanding at December 31, 1973 was 10.4%. During 1973 the highest aggregate short-term debt outstanding at any month end was the \$41,597,000 at year end, the average aggregate short-term borrowings outstanding were \$17,218,000, and the weighted average interest rate was 9.4%. (The average debt outstanding represents a month-end average, while the weighted average interest rate is an annual weighted average based on weighted averages of the respective month ends.) At year-end 1973, unused lines of credit for short-term financing amounted to \$18,700,000. As to the general terms of short-term borrowing arrangements, usage (along with provisions for extension of maturities) is generally dependent upon the various Companies maintaining a sound financial condition. There were no commitment fees on unused lines.

(6) LONG-TERM DEBT: Long-term debt at December 31, 1973 consists of a 6½% note of \$4,000,000 (including \$1,000,000 due within one year and classified as a current liability) due to an institutional lender, international bank loans totaling \$5,618,000, and international and domestic mortgages of \$2,777,000.

The agreement covering the amount due the institutional lender provides for repayment in equal annual installments over four remaining years, or, at the option of AMP, over two years without penalty. The agreement contains restrictions in respect to additional borrowings, maintenance of minimum working capital and certain other items. Payment of cash dividends and purchases of the Company's common stock, etc., are limited to \$119,741,000 at December 31, 1973, plus the entire net income of AMP and its domestic subsidiaries and Pamcor for subsequent periods.

Unused commitments for long-term financing were not significant at December 31, 1973.

(7) 3-FOR-1 STOCK SPLIT: At the April 26, 1973 annual meeting, shareholders increased the number of authorized shares to 50,000,000 and approved a 3-for-1 stock split effective on a May 7, 1973 record date. The stated value of the no par stock was changed from \$1.00 per share to 33⅓¢ per share. All per-share earnings and dividends and references to AMP common stock have been retroactively restated to reflect the increased number of AMP common shares outstanding.

(8) STOCK PLUS CASH BONUS PLAN AND TREASURY STOCK: All of the Endorsed Shares held in the treasury (1973—462,688; 1972—502,971) are available for payment of stock bonuses under the incentive Stock Plus Cash Bonus Plan. The number of shares and cash (a fixed percentage of the value of the shares) distributed is determined by the appreciation in market value of the Company's stock.

For years prior to 1973, the Company's accounting for the Stock Plus Cash Bonus Plan had no effect on net income because the charges to pretax income were offset by reductions in income taxes, as the market value of the shares distributed (which was substantially in excess of cost) was, and is currently, allowable as a corporate tax deduction.

Due to the adoption of Accounting Principles Board Opinion No. 25 by the A.I.C.P.A., since January 1, 1973, generally accepted accounting principles restrict financial recognition of tax benefits resulting from stock compensation plans to only those tax benefits related to recognized compensation expense. Tax benefits in excess of that amount are added to Other Capital. In 1973, additions to Other Capital and decreases in net income, as a result of the mandatory change in accounting, were \$1,274,000 (3¢ per share).

During the year ended December 31, 1973, treasury stock was increased through the purchase of 48,500 shares costing \$1,892,000. Charges to income for distributions under the Plan totaled \$3,111,000 in 1973 and \$2,309,000 in 1972, and included shares and related costs of 88,783 and \$1,611,000 in 1973 and 101,196 and \$1,052,000 in 1972.

For awards granted before and outstanding on December 31, 1973, and based on the market price as of that date, 400,000 shares would be distributed in the years 1974 through 1981.

(9) EMPLOYEE RETIREMENT PLANS: The Companies' employee retirement plans include both contributory and non-contributory plans. Each plan is either insured or trustee. Provisions totaling \$3,692,000 in 1973 and \$3,641,000 in 1972 were made to cover current service costs and amortization of

Notes Continued

past service costs. The Companies' policy is to fund pension costs as accrued. Net assets of the plans exceed the present value of vested benefits as of December 31, 1973.

(10) RENTAL EXPENSE AND LEASE COMMITMENTS:

The Companies lease some of their manufacturing and office buildings and certain equipment. Total rental expense was \$4,817,000 in 1973 and \$3,144,000 in 1972.

Minimum annual rental commitments under noncancelable leases (including some with option to buy) at December 31, 1973 were:

	Total Minimum Rental Commitments	Buildings	Transportation Equipment	Other Equipment
1974	\$2,553,000	\$1,161,000	\$918,000	\$474,000
1975	1,658,000	713,000	722,000	223,000
1976	1,064,000	533,000	410,000	121,000
1977	607,000	403,000	100,000	104,000
1978	347,000	277,000	—	70,000
1979-1983	956,000	834,000	—	122,000
1984-1988	163,000	96,000	—	67,000
1989-1993	—	—	—	—
1994 and beyond	—	—	—	—

For the years 1972 and 1973, noncapitalized financing leases (as that term is defined by the Securities and Exchange Commission) were not material.

(11) INCOME TAXES: Income tax expense is composed of:

	Currently Payable	Deferred	Investment Tax Credit	Total
1973	\$43,302,000	\$1,363,000	\$725,000	\$45,390,000
1972	30,797,000	509,000	413,000	31,719,000

Deferred income taxes, which would approximate \$2,600,000, have not been provided on approximately \$38,000,000 of undistributed earnings of the subsidiaries, which would be subject to additional U.S. income tax if remitted as dividends, because continued retention of these undistributed earnings, accumulated since inception, is considered essential to the subsidiaries' operations.

United States income tax returns of AMP for the years 1963 through 1968 have been audited by the Internal Revenue Service and deficiencies assessed. The Company is contesting one item of these deficiencies which could result in similar deficiencies of more substantial amounts being assessed for subsequent years. Accordingly, the Company has filed a petition with a U.S. District Court for refund of assessments paid for the years 1963 through 1965, and has filed a protest with the Internal Revenue Service for the years 1966 through 1968. In the opinion of the Company and outside tax counsel, the position taken by the Internal Revenue Service has little merit and the final determination of this issue for the years 1963 through 1973 will not have a materially adverse effect on its financial position or results of operations.

AMP's Position in U.S. Industry

Growing entirely through new products and markets without benefit of acquisitions, AMP has risen steadily in the ranks of major U.S. corporations. The latest standings from the reports of two widely read financial publications are shown at right.

Sales*	382nd
Net Income*	184th
Net Income as % of Sales (11%)*	21st
Earnings Per Share Growth Rate:	
1962—1972 (16.04%)*	62nd
1968—1973 (17.3%)†	78th
Return on Equity (20.3%)*	20th
Return on Total Capital (21.4%)†	28th

(Based on 1972 and 1973 results as shown in *the 1973 issue of the Fortune "500" Industrials and †the Forbes 1974, 26th "Annual Report" issue.)

AUDITORS

DOMESTIC:
Arthur Andersen & Co.

INTERNATIONAL:
Price Waterhouse & Co.

STOCK

LISTED:
New York Stock Exchange

SHAREHOLDERS:
7,870

REGISTRAR

Bankers Trust Company
16 Wall Street,
New York, N.Y. 10015

TRANSFER AGENTS

Bankers Trust Company
16 Wall Street, New York, N.Y. 10015

The Continental Stock Transfer Company
2853 Kennedy Blvd., Jersey City, N.J. 07306

AMP

INCORPORATED

HARRISBURG, PA.

Pamcor, Inc.

SAN JUAN, P.R.



AMP Headquarters—Eisenhower Blvd., Harrisburg, Pa.

OFFICERS

*J. D. BRENNER

President and Chief Executive Officer

WILLIAM C. LANGE

Senior Vice President,

Director of Merchandising

GERALD F. ENGLEHART

Vice President, International

S. WILSON POLLOCK

Vice President, Engineering and Research

*WALTER F. RAAB

Vice President and Treasurer

WILLARD A. SMITH

Vice President, Manufacturing

CLYDE RAYBURN

Controller

HUGO A. WALFRED

Secretary, General Legal Counsel

DIVISIONAL VICE PRESIDENTS

(of AMP Incorporated only):

MARKETING:

W. BENNETT CONNER

Industrial Sales

HERMAN C. HAAS

AMP Telecom

OSCAR B. RUDOLPH

AMP Special Industries

OPERATIONS:

JOHN E. EBERLE

Connector and Component Products

JAMES E. MARLEY

Automatic Machine Products

KENNETH L. NEIJSTROM

Special Products

DIRECTORS

EXECUTIVE COMMITTEE

U. A. WHITAKER

Chairman of the Board

*J. D. BRENNER

President and Chief Executive Officer

*C. J. FREDRICKSEN

Chairman of the Finance Committee

S. S. AUCHINCLOSS

Retired President

of AMP Incorporated

F. H. BOLAND

Industrial and Financial Consultant:

Director of Warner-Lambert

Company and Madison Fund, Inc.

R. M. BRUMFIELD

Chairman of Hurst Mfg. Corp.

(Retired Chairman of Potter &

Brumfield Division, American

Machine & Foundry Company)

E. M. GREEN

Director (and Retired Chairman

of the Board)

Dauphin Deposit Trust Company

F. C. HIXON

President

Midland Investment Company

J. T. SIMPSON

Chairman of the Board

Harsco Corporation

**Member of Finance Committee*

AMP OPERATING SUBSIDIARIES

*(all wholly owned and
included in combined results)*

AMP Products Corporation

Valley Forge, Pennsylvania

AMP of Canada, Ltd.,

Toronto, Canada

AMP de Mexico, S.A.,

Mexico City, D.F. Mexico

AMP S.A. Argentina,

Buenos Aires, Argentina

AMP do Brasil Ltda.,

São Paulo, Brazil

AMP de France,

Paris, France

AMP-Holland B.V.,

's-Hertogenbosch, The Netherlands

AMP of Great Britain Limited,

London, England

AMP Italia S.p.A.,

Turin, Italy

AMP Deutschland G.m.b.H.,

Frankfurt, Germany

AMP Española, S.A.,

Barcelona, Spain

AMP Scandinavia A.B.,

Stockholm, Sweden

Amp A.G.

Lucerne, Switzerland

AMP (Japan), Ltd.,

Tokyo, Japan

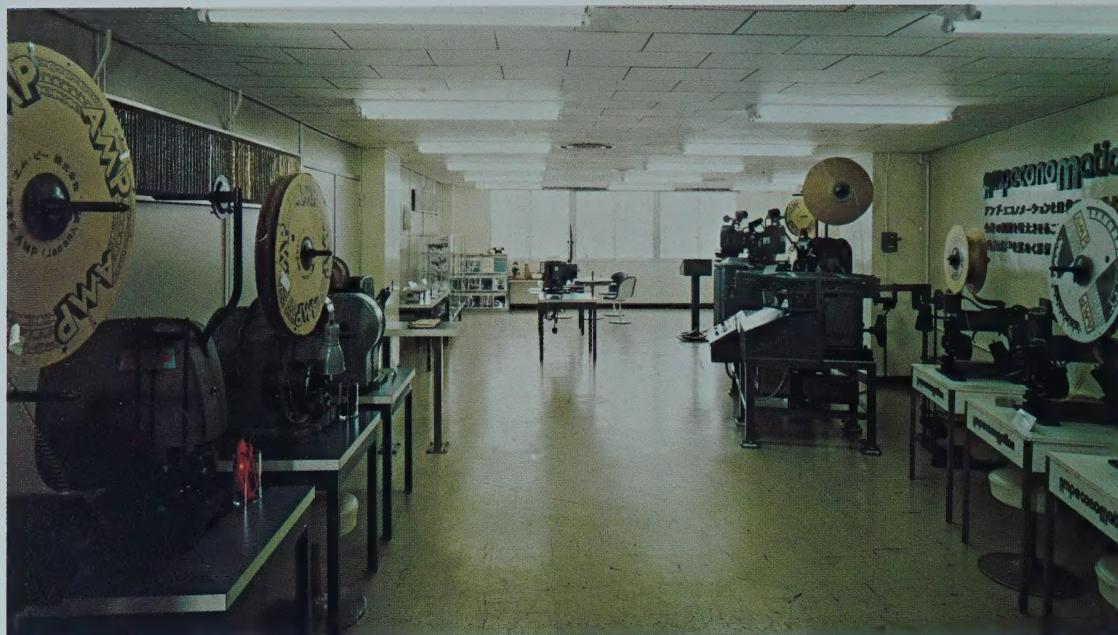
Australian AMP Pty. Limited,

Sydney, Australia

THE ANNUAL SHAREHOLDERS' MEETINGS

The annual shareholders' meetings of AMP Incorporated and Pamcor, Inc. are held the fourth Thursday of April. Formal notices, proxy statements and forms of proxy will be mailed on or

about March 22, 1974 to shareholders of record on March 8, 1974 as to the April 25, 1974 meetings at 2:00 P.M. at 15 Exchange Place, Jersey City, New Jersey.



(a)

TELLING THE WORLD ABOUT

Ampeconomation
COST SAVINGS BY DESIGN WORLDWIDE

Among the many marketing approaches used to inform customers and potential customers of the advantages of using AMP equipment are:

- (a) A number of machine demonstration rooms—this one is at AMP Japan.
- (b) Dozens of display vans—this one is in Australia.
- (c) Extensive literature and advertising—technical papers, brochures, advertisements, direct mail, etc.
- (d) Complete visual aids program—this is a videotaping of a machine demonstration and a strip of film from a new corporate marketing movie.



(b)



(d)

A MORE RATIONAL APPROACH TO AUTOMATION

Specially prepared for
 AMP/Japan Inc. Ltd.
 June 5, 6, 7, 1973

By
 John Kane
 and
 George Robinson

AMP
 INCORPORATED

How to keep your electrical and electronic products competitive.

Install a 25-pair connector in 5 minutes, on site. Without solder.

Impress your customers with the speed and ease of AMP's new 25-pair connector. No soldering. No special tools. No special training. Just the AMP 25-pair connector. It's the only connector that can be installed in 5 minutes, on site. Without solder. It's the only connector that can be installed in 5 minutes, on site. Without solder. It's the only connector that can be installed in 5 minutes, on site. Without solder.

AMP

(c)